LEGISLATIVE SERVICES AGENCY
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Glen Dickinson, Director

Jess R. Benson
Legislative Analyst 3
State Capitol
Des Moines, IA 50319

Phone: 515.281.4611
E-mail: jess.benson@legis.iowa.gov

TO: Members of the Conference Committee for SF 296

FROM: Jess Benson

RE: Fiscal Analysis and Differences of SF 296 Senate and House Plans

DATE: May 3, 2013

This memo is to assist in answering some of the fiscal questions that were posed at the initial Conference Committee meeting for SF 296. Attached, please find the fiscal note written to the Senate version of the Bill (Attachment 1) and the NOBA written to the House version of the Bill (Attachment 2). The DHS provided limited details and did not respond to a fiscal note request so there are very few details available on how the House Bill will be implemented, so I was unable to provide detailed analysis past FY 2015 for the Bill. The analysis for the Senate Bill was completed using the actuarial analysis provided by Milliman Inc. There are several differences to note when comparing the two plans. These include:

Individuals Covered
The Senate plan will cover an estimated additional 150,000 individuals with income up to 138.0% of federal poverty level (FPL). The House Plan will cover an estimated additional 95,000 individuals with income up to 100.0% of FPL. Individuals with come that exceeds 100.0% of the federal poverty level will receive coverage through the Insurance Exchange.

Current Medicaid Populations
The House Plan provides a $35.5 million transfer from Medicaid as a result of shifting individuals covered under the following groups to the Insurance Exchange:

- Pregnant Women - $11.8 million
- Breast and Cervical Cancer Treatment - $2.9 million
- Dependent Persons - $16.3 million
- Medicaid for Employed People with Disabilities - $4.5 million

These savings represent a full fiscal year. With implementation not beginning until January 1, 2014, the savings will decrease to $17.8 million for FY 2014. To achieve the savings above, the General Assembly will need to enact legislation reducing Medicaid coverage for the last three bullet points to 100.0% of the federal poverty level. These changes have not been included in any House legislation. The Pregnant Women group will continue to cover individuals with income less than 300.0% of the FPL, but after January 1, 2014, it is assumed a portion of that population will access coverage through the Exchange.

The Senate Plan assumes all current Medicaid coverage groups will continue beyond January 1, 2014. Savings could be achieved if coverage for Breast and Cervical Cancer Treatment, Dependent Persons, and Medicaid for Employed People with Disabilities is reduced to individuals with income less than 138.0% of the FPL or eliminated and individuals with income in excess of 138.0% of the FPL received coverage through the Insurance Exchange.

County Mental Health Financing

Both the House and the Senate Plans assume savings by shifting services that are currently covered with 100.0% county dollars to Medicaid. The difference is the House plan captures $43.5 million of the savings to finance the Plan. The Senate is silent on the savings, estimated at $55.0 to $60.0 million to counties. For additional information on the county Mental Health financing and Medicaid Expansion savings, see the document provided by the DHS (Attachment 3).

Broadlawns Hospital Levy

A portion of the Broadlawns Hospital levy, $42.0 million, is currently used to finance the IowaCare Program. In return, Broadlawns is guaranteed receipt of $65.0 million to provide services through the Program. The House Bill continues to use the $42.0 million to finance the Plan, guaranteeing Broadlawns a return of $42.0 million. Under the Senate Plan, the Broadlawns levy will remain in Polk County to cover operation costs or reduce property taxes if the funds are not needed for medical services.

Feel free to contact me if you have additional questions or need more information.

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Fiscal Note

Fiscal Services Division

SF 296 – Medicaid Expansion (LSB 1441XS)
Analyst: Jess Benson (Phone: (515) 281-4611) (jess.benson@legis.iowa.gov)
Fiscal Note Version – New

Description

Senate File 296 amends Iowa Code sections relating to medical homes to promote an integrated health care delivery model. A medical home means a team approach to providing health care that originates in a primary care setting. This Bill requires the Department of Human Services (DHS) to collaborate with the Department of Public Health (DPH) in administering medical homes under the Medicaid Program. In addition, this Bill requires the DPH to establish requirements for the medical home system to provide linkages to accessible dental homes for adults and older individuals. Significant provisions of this Bill include:

- Amends Iowa Code sections requiring the DPH, in collaboration with the DHS, to implement medical homes to the greatest extent possible by January 1, 2015, for Medicaid eligible children, and adults eligible for both Medicare and Medicaid. The DPH is required to work with the DHS to develop a reimbursement methodology to compensate providers under the Medicaid Program participating in the medical home.
- Expands Medicaid as provided for by the federal Affordable Care Act (ACA) for adults with income up to 138.0% of the federal poverty level (FPL). In addition, this Bill expands Medicaid to foster care children up to age 26 as required under the ACA. Both groups will receive coverage under the current Medicaid benefits package with coverage beginning January 1, 2014.
- Extends the repeal of IowaCare from October 31, 2013, to December 31, 2013, when the federal waiver expires and requires the DHS to prepare a transition plan for IowaCare members to the health benefits exchange or the Medicaid Program.
- Directs the Legislative Council to establish a legislative advisory council to guide the development of the design model and implementation plan for the State innovation model grant awarded to the DHS by the Centers for Medicare and Medicaid Services of the United States Department of Health and Human Services to develop an integrated care model including the Medicaid population. The Advisory Council is to provide oversight throughout the process, receive periodic progress reports, approve any integrated care model and implementation strategies, and prepare proposed legislation to implement the model and strategies prior to submission of the proposed legislation to the General Assembly in 2014. The Bill also establishes a Legislative Commission for the 2013 interim to review and make recommendations regarding provision of care through integrated delivery models in the State. The Legislative Commission is directed to submit a final report to the Governor and the General Assembly by December 15, 2013.
- Directs the DHS to amend the Medicaid State Plan to reflect the provisions in this Bill relating to medical homes, the coverage of adults with income up to 138.0% of the FPL, and coverage of new adults group under Medicaid.

Summary of Fiscal Impact

The fiscal impact of SF 296 is summarized in the two tables below. For the fiscal impact by major provision and the assumptions used in those estimates, please see the following pages.

Overall Fiscal Impact for FY 2014 and FY 2015 to the State General Fund

Provision	FY 2014	FY 2015
Implement Integrated Care Delivery Model		
DPH Expand the I-Smile Program to Adults Statewide	$ 2,082,296	$ 3,038,368
DHS Implementation Cost of Medical Home	250,000	250,000
Implement Integrated Care Delivery Model Subtotal	$ 2,332,296	$ 3,288,368
Medicaid Expansion to 138.0% of the Federal Poverty Level		
New Enrollees	$ 0	$ 0
IowaCare Transition	(4,900,000)	(10,300,000)
Medicaid Expansion to 138.0% of the Federal Poverty Level Subtotal	$ (4,900,000)	$ (10,300,000)
Other Affordable Care Act Provisions and Administration		
Primary Care Physician Increase	$ 0	$ 2,300,000
Foster Care Expansion to Age 26	700,000	1,600,000
Administration	3,293,405	7,871,968
Other Affordable Care Act Provisions and Administration Subtotal	$ 3,993,405	$ 11,771,968
GRAND TOTAL	$ 1,425,701	$ 4,760,336

Additional County Impact: It is estimated that counties could save between $55.0 and $60.0 million annually by covering individuals under Medicaid Expansion that are receiving mental health treatment and have no health insurance. Counties currently levy $122.2 million to fund mental health services. This change could also save the State from supplementing county mental health expenditures in the future. The Mental Health and Disability Services Interim Committee recommended an additional $29.8 million to supplement the county mental health system for FY 2014.

Federal Impact: It is estimated that expanding Medicaid and transitioning individuals from the IowaCare Program will cost the federal Government an additional $181.2 million in FY 2014 and $576.7 million in FY 2015. Additional out-year federal impacts are available in the report prepared by **Milliman, Incorporated.**

Out-Year Impact of Medicaid Expansion, Other Provisions and Administration: The chart below details the fiscal impact to the State of Medicaid Expansion from FY 2014 – FY 2020. It represents the midpoint of the low scenario and moderate scenario as estimated by Milliman, Inc. Additional assumptions are listed below.

Provision	Increase/(Decrease) Over Baseline State Spending (in millions)							
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	All Years
Newly Eligible								
New Enrollees	$0.0	$0.0	$0.0	$16.3	$37.7	$47.0	$64.7	$165.6
IowaCare Transition	(4.9)	(10.3)	(10.9)	(3.7)	6.0	9.7	17.3	3.2
Newly Eligible Subtotal	**(4.9)**	**(10.3)**	**(10.9)**	**12.7**	**43.7**	**56.6**	**82.0**	**168.8**
Other Provisions/Administration								
CHIP Enhanced FMAP	0.0	0.0	(23.5)	(32.9)	(34.5)	(36.3)	(9.6)	(136.6)
Reduction in State DSH Share	0.0	0.0	0.0	0.0	0.0	(0.7)	(0.3)	(0.9)
Primary Care Physician Increase	0.0	2.3	5.1	5.6	6.1	6.4	7.0	32.4
Foster Care Expansion to Age 26	0.7	1.6	1.7	1.8	1.9	2.0	2.1	11.6
Administration	3.3	7.9	15.1	15.9	16.6	17.6	18.4	94.6
Other Provisions/Admin Subtotal	**4.0**	**11.7**	**(1.7)**	**(9.7)**	**(10.0)**	**(11.0)**	**17.7**	**1.0**
GRAND TOTAL	**($0.9)**	**$1.4**	**($12.5)**	**$3.0**	**$33.7**	**$45.6**	**$99.6**	**$169.9**

Fiscal Impact by Major Provision

Implementing an Integrated Care Delivery Model

Assumptions

The DPH will use their current I-Smile Program model to expand to adults and older individuals, including:

- $1.6 million for six local public health regional contracts. Each contract will consist of three Registered Dental Hygienist (RDH) coordinators and two support staff per region.
- $318,696 for four additional FTE positions to manage the Program including, one Executive Officer 2 (E02) position; two Community Health Consultants; and one Program Planner 2. It is assumed the three positions other than the EO2 would begin October 1, 2013.
- Funding of $200,000 in FY 2014 to develop a database to track older individuals and $75,000 in FY 2015 for continued software licensing and maintenance.

The DHS will need an additional $250,000 in FY 2014 and FY 2015 to facilitate transition of providers to a medical home model including funding for education, clinical workflow improvement, and evidence-based practices to improve outcomes.

Fiscal Impact of Implementing an Integrated Care Delivery Model

Provision	FY 2014	FY 2015
Department of Public Health		
Local Contract Costs	$ 1,563,600	$ 2,606,000
DPH Staff and Support Costs	318,696	382,368
Database Costs	200,000	50,000
Total Department of Public Health	$ 2,082,296	$ 3,038,368
Department of Human Services		
DHS Implementation Cost of Medical Home	$ 250,000	$ 250,000
Grand Total	$ 2,332,296	$ 3,288,368

Medicaid Expansion to 138.0% of the Federal Poverty Level and Other Affordable Care Act Provisions and Administration

Assumptions

The DHS contracted with the actuarial firm, Milliman, Inc., to provide cost estimates for Medicaid Expansion. Milliman has developed a model and provided estimates for Iowa and a number of other states relating to Medicaid Expansion. All assumptions and fiscal impacts related to Medicaid Expansion in this estimate are taken from the **Milliman report** provided to the DHS on December 13, 2012, except when noted below. This estimate assumes the midpoint of the low and the moderate scenario from the report.

Federal FMAP rates for the Medicaid Expansion population begin at 100.0% for calendar years (CY) 2014 through 2016, and are reduced to 95.0% in CY 2017, 94.0% in CY 2018, 93.0% in CY 2019, and 90.0% in CY 2020 and beyond.

This Bill does not eliminate any of the optional coverage groups as assumed in the Milliman report. The fiscal impact below assumes the State will continue to provide coverage under Medicaid to these groups instead of moving them to the insurance exchange.

The DHS provided a revised estimate for administrative costs for FY 2014 and FY 2015 and these estimates are used in place of the Milliman estimates. The estimates are different because the administrative costs presented in the fiscal note do not reflect the woodwork effect (unexpected enrollment increases) and the Milliman report does. Assumptions include:

- FY 2014: An estimated 33,267 additional people will receive Medicaid benefits in FY 2014. This will result in the need for 56 additional staff (33,267 cases/772 cases per worker = 43 Income Maintenance (IM) 2s, 4 IM Supervisors, 9 Typist Advanced).
- FY 2015: An estimated 66,533 additional people will receive Medicaid benefits in FY 2015. This will result in the need for 110 additional staff (66,533 cases/772 cases per worker = 86 IM2s, 7 IM Supervisors, 17 Typist Advanced). Also included in FY 2015 is the cost of the staff added in FY 2014 to cover the cases opened in FY 2014 (56 staff outlined in the first bullet).
- Startup costs including equipment and computers for staff of $2,100 per person.
- There will be additional State costs of $1.0 million in FY 2014 and $1.5 million in FY 2015 for the Iowa Medicaid Enterprise to expand third party contracts to account for additional enrollment. Administration of the Medicaid Program is provided through nine different third party contracts.
- Although Medicaid Expansion benefits will not go into effect until January 1, 2014, sign-up for the program will begin October 1, 2013.
- The DHS General Administration will require one Compliance Officer 2 and one Clerk Specialist to process appeals for the newly eligible Medicaid population. It is assumed that the staff will be hired October 1, 2013.

Fiscal Impact of Medicaid Expansion, Other Provisions, and Administration

Medicaid Expansion to 138.0% of the Federal Poverty Level		
New Enrollees	$ 0	$ 0
IowaCare Transition	(4,900,000)	(10,300,000)
Medicaid Expansion to 138.0% of the Federal Poverty Level Subtotal	$ (4,900,000)	$ (10,300,000)
Other Affordable Care Act Provisions and Administration		
Primary Care Physician Increase	$ 0	$ 2,300,000
Foster Care Expansion to Age 26	700,000	1,600,000
Administration	3,293,405	7,871,968
Other Affordable Care Act Provisions and Administration Subtotal	$ 3,993,405	$ 11,771,968
GRAND TOTAL	$ (906,595)	$ 1,471,968

Sources

Department of Human Services
Department of Public Health
Milliman, Inc.

/s/ Holly M. Lyons

March 25, 2013

The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

Integrated Health Care Delivery
Senate File 296

As amended by S-3210
(House amendment – Healthy Iowa Plan)
(Strike everything after the enacting clause)

Last Action:

House Floor

April 30, 2013

Executive Summary Only

Title as passed by the Senate:

An Act relating to integrated care models for the delivery of health care, including but not limited to required utilization of a medical home by individuals currently and newly eligible for coverage under the Medicaid program and including effective date provisions.

Title as amended by S-3210 (House amendment):

An Act relating to health care by establishing the healthy iowa plan, affecting medical malpractice actions, making appropriations, providing remedies, and including effective date provisions.

Fiscal Services Division
Legislative Services Agency

NOTES ON BILLS AND AMENDMENTS (NOBA)

Available online at http://www.legis.iowa.gov/LSAReports/noba.aspx

LSA Contact: Jess Benson (515-281-4611) jess.benson@legis.iowa.gov

EXECUTIVE SUMMARY **S-3210**

Integrated Health Care Delivery

Senate File 296 amends Iowa Code sections relating to medical homes to promote an integrated health care delivery model. A medical home means a team approach to providing health care that originates in a primary care setting. This Bill requires the Department of Human Services (DHS) to collaborate with the Department of Public Health (DPH) in administering medical homes under the Medicaid Program. In addition, this Bill requires the DPH to establish requirements for the medical home system to provide linkages to accessible dental homes for adults and older individuals.

FISCAL NOTE: To view the fiscal note for SF 296 as passed by the Senate see: https://www.legis.iowa.gov/DOCS/FiscalNotes/85_1441SVv0_FN.pdf

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House Amendment – S-3210 creates the Healthy Iowa Plan, if approved by a federal 1115 Demonstration Waiver, to replace the Iowa Care Program that expires on December 31, 2013. Amendment S-3210 specifies the Plan is only to be implemented to the extent that federal matching funds are available for nonfederal expenditures. In addition, enrollment in the Healthy Iowa Plan may be closed, limited, or reduced and the scope and duration of services may be limited, reduced, or terminated if State or federal funds are not available. Benefits are limited to the funds appropriated or distributed for the Plan.

The Plan provides coverage for individuals 19 to 64 years of age with incomes at or less than 100.0% of the federal poverty level. Individuals must meet all criteria including income, citizenship or other legal status, and financial participation conditions. Individuals are not eligible for the Plan if they qualify for Medicaid or if they have access to affordable employer-sponsored coverage.

The benefits package of the Plan is required to match the benefit package for State employees, adjusted as necessary to meet federal requirements, including the addition of habilitation services. All members on the Plan will have a primary medical provider in their region. The Department of Human Services is required to develop a regional provider network that includes all providers enrolled in the Medicaid Program and participating in Accountable Care Organizations (ACO). Amendment S-3210 also provides guidelines for ACOs including contracting, access, reimbursement, and member choice.

Enrollees in the Plan are required to make a monthly contribution and cost-sharing within the limitations of the Affordable Care Act (ACA). Copayments are only required for nonemergency use of a hospital emergency department. Members are required to pay their monthly contributions within sixty days or are subject to disenrollment from the plan and are not eligible to reapply for 12 months. A member may request a hardship exemption if they are unable to make a monthly payment.

The Plan establishes a Healthy Rewards Account for each member to collect all member contributions and incentive payments for the completion of preventive tasks. Monies in the account are to be used to improve the health of the member as specified by rule based on best practices. Members may forfeit the funds in the Account if they exhibit a pattern of inappropriate emergency department use. The Amendment provides guidelines for funds remaining in the Account at the end of the fiscal year.

Amendment S-3210 provides funding provisions including the Broadlawns property tax levy, 37.84% of county mental health property tax levies, the University of Iowa Hospitals and Clinics (UIHC) Certified Public Expenditures (CPE) match, a transfer from Medicaid, and a General Fund appropriation. All revenues are to be deposited in the newly created Healthy Iowa Account. Funding is summarized in in the fiscal impact section of this document.

The DHS may adopt emergency rules to implement the Plan as necessary and the Department may utilize a sole-source approach to administer the Healthy Iowa Plan.

The Division relating to the Healthy Iowa Plan is effective upon enactment.

FUNDING SUMMARY AND FISCAL IMPACT

The Healthy Iowa Plan will be implemented on January 1, 2014. It is estimated that the Plan will cover a total of 89,000 individuals with incomes at or below 100.0% of the federal poverty level when fully implemented. Amendment S-3210 appropriates $23.0 million from the General Fund and provides a $35.5 million transfer from the Medicaid Program for FY 2014. In addition, S-3210 requires collection of $21.0 million in Broadlawns Property tax revenues, $21.8 million in county mental health revenues, and up to $12.6 million in UIHC CPE State match in FY 2014. It is assumed that the CPE contribution from the UIHC will be half of the maximum allowed for FY 2014.

For FY 2015, all other fund revenue will be doubled due to a full year of property tax collection for a total of $98.1 million available in the Account. The Plan does have provisions that can limit enrollment and services to stay within a funding amount. However, the Center for Medicare and Medicaid Services (CMS has indicated they do not anticipate authorizing enrollment caps or similar policies through federal demonstration waivers for the new adult group or similar populations.

The fiscal impact of SF 296 as amended by S-3210 is illustrated in the following table:

State Funds	**FY 2014**	**FY 2015**
General Fund	$ 23,000,000	$ 23,000,000
Medicaid Transfer	35,500,000	35,500,000
Total State Funds	**$ 58,500,000**	**$ 58,500,000**
Other Funds		
Broadlawns Hospital Levy	$ 21,000,000	$ 42,000,000
U of I Certified Public Expenditures	6,310,500	12,621,000
Counties Mental Health Levy - 37.84%	21,751,471	43,502,942
Total Other Funds	**$ 49,061,971**	**$ 98,123,942**
Total Healthy Iowa Plan Nonfederal Funds	**$ 107,561,971**	**$ 156,623,942**
Estimated Federal Matching Funds	**$ 148,111,839**	**$ 209,405,369**
Total All Funds	**$ 255,673,810**	**$ 366,029,311**

Division II of S-3210 makes changes to medical malpractice, including changes to the expert witness testimony standards and creates Malpractice Review Panels to review any action for personal injury or wrongful death against a health care provider. The amendment specifies members of the panel, compensation, and the process for handling the reviews. There is a $250 filing fee paid by each party, unless indigent, to the Clerk of the District Court.

Fiscal Impact: Division II of S-3210 will have a minimal fiscal impact.

Iowa Department of Human Services

Terry E. Branstad
Governor

Kim Reynolds
Lt. Governor

Charles M. Palmer
Director

TO: The Honorable Joe Bolkcom, Co-Chair
The Honorable Joel Fry, Co-Chair
Mental Health & Disability Services Redesign Fiscal Viability Study Committee

FROM: Jennifer Davis Harbison, Policy Advisor
Iowa Department of Human Services

DATE: February 18, 2013

The Department of Human Services (Department) used state fiscal year 2012 (SFY12) county service data to estimate savings counties may experience if Medicaid eligibility is expanded for all individuals up to 138%[1] of the federal poverty level (Medicaid Expansion Group) as allowed by the Affordable Care Act. Based on the following potential benefit plans for the Medicaid Expansion Group the estimated ranges of annual savings are:

- State's Largest HMO $27M to $29M
- State Medicaid Plan $55M to $60M

Counties pay for services not reimbursed by Medicaid using county levy funds and $12.5M state funds provided through the state payment program. Services not reimbursed by Medicaid are for:

- Persons who are not Medicaid eligible
- Services that Medicaid does not cover

County Service Data:

- Counties report their service costs for the previous state fiscal year each December
- The Department used the most recently reported data for SFY12 in making this estimate
- County service cost data combines Medicaid and non-Medicaid costs as well as enterprise costs for services the county provides directly
- Enterprise costs were identified and removed, but it is difficult to separate non-Medicaid from Medicaid costs

Medicaid Expansion Benefit:

- States have flexibility regarding what benefit plan to use for the Medicaid Expansion Group
- In calculating savings the Department assumed that the Centers for Medicare and Medicaid Services (CMS) will require the expansion benefit plan to include behavioral health parity
- The plans used in the estimate are:
  - The largest HMO plan in Iowa – Blue Advantage
  - The Medicaid State Plan

[1] The Medicaid Expansion Group threshold is 133% FPL, but 5% of an individual's income is disregarded, effectively raising the limit to 138% FPL.

Estimates of County Savings:

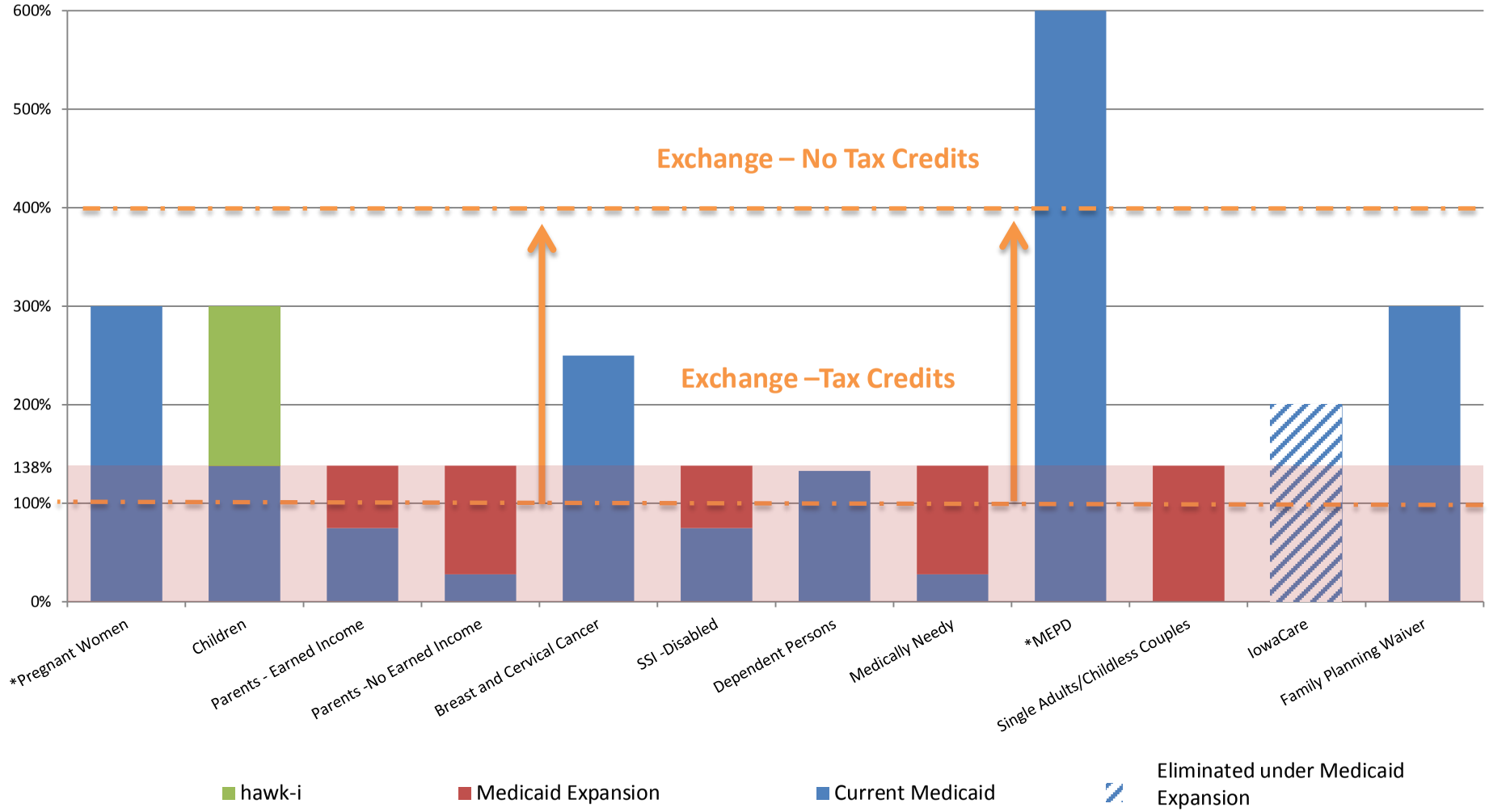
- The Department compared the counties' reported cost by chart of account codes with the benefits covered by the two plans
- The Department identified potential savings for services where the county chart of accounts matched the benefits listed in the plan

Assumptions - The following assumptions were used in making these estimates:

- Case management services would be covered by Medicaid, but not the HMO plan. Counties currently expend significant amounts for case management for persons who are not Medicaid eligible.
- Habilitation services for persons with a chronic mental illness would be covered by Medicaid, but not the HMO plan. County service data:
    - The residential care facility (RCF) account codes combine the costs of providing services and supports to the individual with room and board costs
    - Payments made to large and small RCFs are also combined in the account codes
    - Only services costs provided in small (16 beds or less) RCFs can be paid by Medicaid
    - The Department assumed that, at most, $5M of about $20M in RCF costs for persons with mental illness would qualify for Medicaid reimbursement
- Non-Medicaid costs associated with Home and Community Based Services (HCBS) Waiver Services were not included. The Medicaid Expansion Group does not include individuals that would otherwise be eligible for HCBS waiver services.
- Costs of services not included in the estimate include:
    - Room and Board
    - Subsistence
    - Sheltered workshops
    - Large residential settings for persons with mental illness
    - Cost of services for other population groups such as individuals who have a developmental disability that is not an intellectual disability and children.

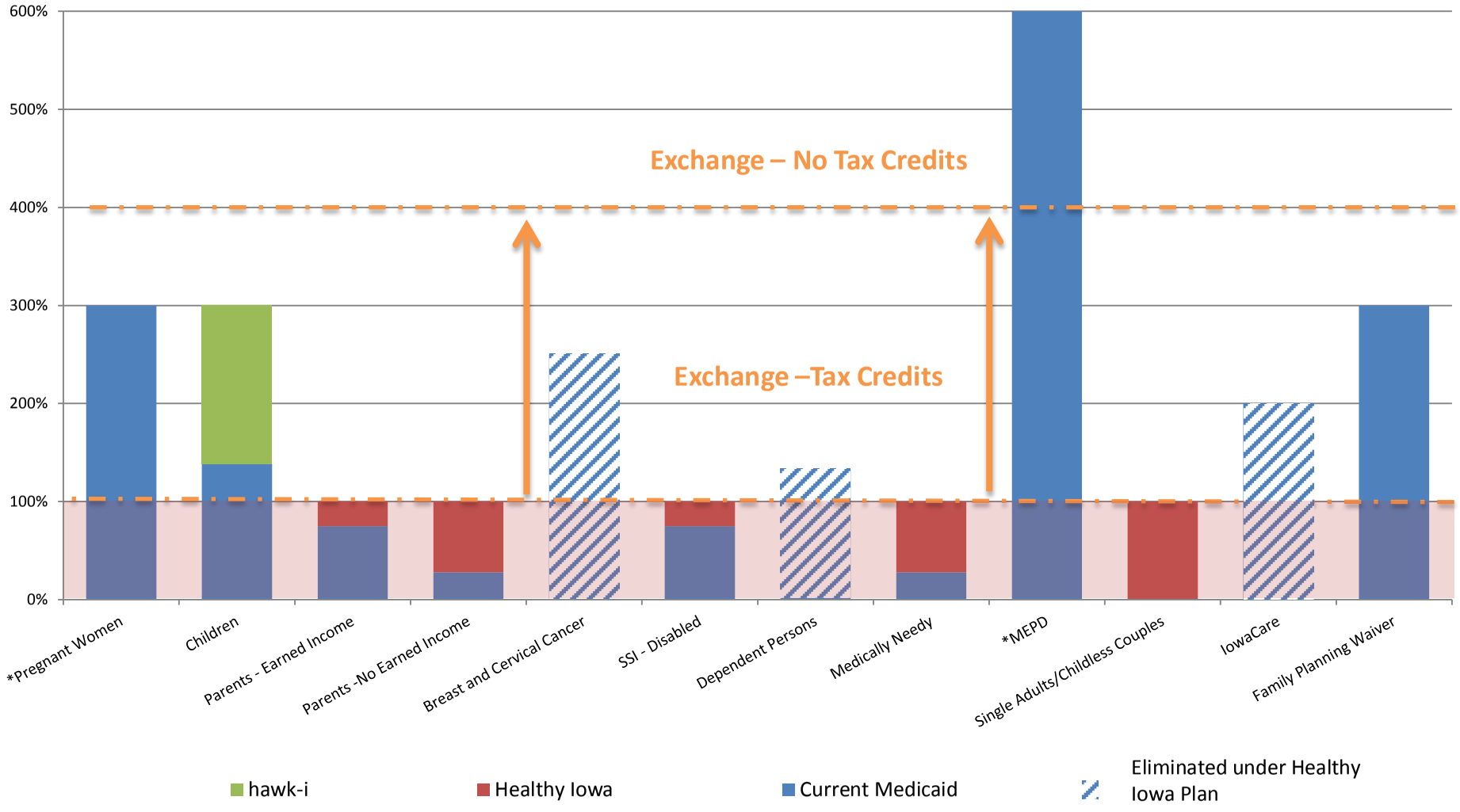
The final identified amount was discounted 10% to account for the difference between the 138% FPL eligibility limit for the Medicaid Expansion Group and the 150% FPL eligibility used by most counties.

SF 296 -Medicaid Expansion Eligibility Chart



*It is assumed that 10.0% of the women in the Pregnant Women category and individuals in the Medicaid for Employed People with Disabilities category will opt into coverage under the Exchange.

SF 296 - Healthy Iowa Plan Eligibility Chart



*It is assumed that 10.0% of the women in the Pregnant Women category and individuals in the Medicaid for Employed People with Disabilities category will opt into coverage under the Exchange.